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ABSTRACT

This report identifies the components of a seamless child care system for low income families, with attention to consolidating funding streams, simplifying administration, and improving direct services to families. The result of a 1995 study directed by the Minnesota legislature involving meetings of parents, advocates, child care providers, county agency staff, and human services staff, this report describes the study's purpose and methodology, defines seamless child care systems and the current systems as authorized by state statutes, and discusses recommended changes. Five principles guide the development of a seamless child care system: (1) treat families equitably by providing equal access to child care assistance; (2) one simple, efficient system should administer financial assistance for child care; (3) as family income increases or circumstances change, movement to self-sufficiency should not be interrupted; (4) promote healthy, safe, and developmentally appropriate experiences for children; and (5) quality child care means quality providers and informed parents. An executive summary is included. Seven appendices present (1) the law requiring this study; (2) the study's participants; (3) a flow chart of the Child Care Assistance Program; (4) a map of Resource and Referral Agencies; (5) major child care assistance and supports available under the current system; (6) descriptions of activities of the Federal Child Care and Development Block Grants in Minnesota; and (7) a chart of the proposed Child Care Seamless System Model, comparing it to the current system and relating each policy of the proposed model to state legislation and federal requirements. (KDFB)

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Seamless Child Care System

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SEAMLESS CHILD CARE SYSTEM
A REPORT TO THE 1996 MINNESOTA LEGISLATURE

AN EXECUTIVE SUMMARY

Overview

Leaders in the child care field believe that good child care has two central goals. First, to provide children with good supervision and appropriate developmental experiences and second, to care for children so their parents can earn a living. To consistently accomplish both of these goals for Minnesota's children, the state must help to create a different infrastructure for caring for and educating our youngest children.

Ultimately, all children should be well cared for and should enter school ready to learn.

The Minnesota Department of Human Services believes that we must rethink and redesign the patchwork system that has evolved from various funding streams and federal requirements. We need to support development of a child care system which delivers on Minnesota's goal of having all children enter school ready to learn. A major portion of DHS's responsibility for child care has been focused on serving low income families—either those receiving public assistance or receiving subsidies through other DHS programs. While this is a large and important part for the child care system, it is not the entire system.

Child Care assistance for low income families is complicated and confusing for people. There are five different federal funding streams and sets of regulations each with its own eligibility criteria and requirements. This report responds to Minnesota Special Session Laws (Chapter Number 178, Article 2, Section 44) and is a first step in working to streamline and simplify child care programs which assist low income families with child care costs. We believe we can make it easier for parents to understand and easier to administer.

This is one step in a series of steps which Minnesota must take to create a system of early childhood care and education which is available to all of Minnesota's Children. Ultimately, all children should be well cared for and should enter school ready to learn.

Guiding Principles and Recommendations

The report focuses on five principles to guide development of a seamless child care system for low income families. It considers the complex relationship between the needs of children, the availability of child care services, and the cost of child care.

The recommendations were developed with the assumption that funding for child care assistance to low income families will remain at the current level. All recommendations were designed to allow integration with other components of a comprehensive early childhood care and educations system for all families.

The principles and corresponding recommendations are as follows:

Treat families equitably by providing equal access to child care assistance among families in similar circumstances

Principle #1. Treat families equitably by providing equal access to child care assistance among families in similar circumstances.

Recommendations:

Combine and consolidate current child care assistance funding streams under Minnesota Statues 256H and 136A.125 and establish uniform categories of eligibility for the consolidated fund.

Establish statewide priorities for management of limited funding and apply the priorities equally to all low income families.

Require families to share in the cost of care with increased copayments as the family's income increases.

Principle #2. Financial assistance with child care should be administered by one system. The system must be simple and efficient.

Recommendations:

Eliminate the duplicate information and reporting requests by establishing linkages with existing information management systems.

Consolidate current programs with multiple funding streams into one fund with simplified eligibility, income and payment requirements. To the extent possible, standards should be compatible with other assistance programs for families in similar circumstances.

Principle #3. As family income increases or the family's circumstances change, movement to self sufficiency should not be interrupted.

Recommendations:

Allow families to retain eligibility for child care assistance as long as they are within income guidelines and continue to need child care.

Establish priorities to manage funding by limiting entry into the program. Once accepted into the program, a family would remain eligible until the family's income exceeded the program limits based on household size or the family ceased to need child care.

Establish child care assistance program income limits and copayment requirements for all families that encourage movement to self-sufficiency and take maximum advantage of the tax credits available to all families with child care costs.

Establish mechanisms to make child care credits available to families at the time they are needed to pay for child care costs.

Require cooperation with child support for all families participating in any component of the child care assistance program.

Financial assistance with child care should be administered by one system. The system must be simple and efficient.

Principle #4. Promote healthy, safe and developmentally appropriate experiences for children

Recommendations:

Continue to promote healthy, safe and developmentally appropriate child care experiences for children.

Continue to support the infrastructure of a seamless system by using the child care resource and referral agencies to help parents find quality child care, provide technical assistance to child care providers, and recruit new providers to meet the need of working parents.

Promote public and private partnerships that encourage new and innovative ways to meet the child care needs of working parents.

Principle #5. Quality child care means quality providers and informed parents.

Recommendations:

Encourage access to appropriate training services and materials for service providers and interested parents.

Develop consistent health and safety standards across all early childhood and education programs that protect children and reflect a continuum of basic standards to best practices in the field.

Provide sufficient licensing staff at the state and county level.

Continue to provide service development grants for professional development of child care providers and to encourage centers and family providers to obtain training and to participate in nationally recognized accreditation and certification systems for early childhood programs. Expand scholarship opportunities for professional preparation and training.

As family income increases or the family's circumstances change, movement to self sufficiency should not be interrupted.

PURPOSE

This report was prepared by the Minnesota Department of Human Services (DHS) as directed by Minnesota Special Session Laws, Chapter Number 178, Article 2, Section 44. The department was directed to examine Minnesota Statutes 256H and 136.125 (See Appendix A.)

The report identifies the components of a seamless child care system with particular attention to consolidating funding streams, simplifying administration, and improving direct services to families.

This report includes the following information:

1. Proposed Vision for a seamless child care system.

2. Description of the current child care system as authorized in Minnesota Statutes 256H and 136A.125.

3. Recommended changes designed to simplify child care assistance administration and improve services to families.

4. Recommended changes in state and federal regulations to achieve simplified administration and seamless services.

This report identifies changes that can be implemented by July of 1996. A proposed model for full implementation of a seamless child care system for low income families is also included. Implementation timetables for child care assistance program changes are directly related to timelines for full implementation of welfare reform.

Children need more than "baby sitting."

METHODOLOGY

This report reflects both the issues and recommendations of those most involved with the child care system. It was developed as a result of several meetings that involved parents, advocates, child care providers, county agency staff and human services staff.

The series of meetings included:

- The seamless advisory committee meeting consisting of advocates, parent organizations, child care resource and referral agencies, county representatives and staff from DHS and other state agencies.

- Federal Reform briefings held around the state co-sponsored by the Department of Human Services in partnership with the University of Minnesota Extension Service, the Children's Defense Fund, and the Council of Non-Profits.

- Child care reform focus meetings held by DHS child care staff, parent organizations, child care resource and referral agencies, advocates, and others in the child care community.

A listing of participants is included in Appendix B of this report.

Quality child care means quality providers and informed parents.

The extensive experience and expertise in the field of child care and child development that these groups represented was used to identify:

1. Guiding principles necessary to develop and implement a seamless child care system, and

2. modifications necessary to improve the current system.

The 1995 legislature directed this study. At the same time, changes were proposed on the federal level. The department used the information it obtained as an opportunity to evaluate the impact of federal reform on recommended changes.

SEAMLESS CHILD CARE SYSTEM

Definition of Seamless Child Care

A seamless child care and development system is one that provides continuity of services between programs as family income and employment status, cash assistance status, and other relevant characteristics change. Such a system supports the dual goals of assisting families to achieve economic self-sufficiency and prepare their children for success in school.

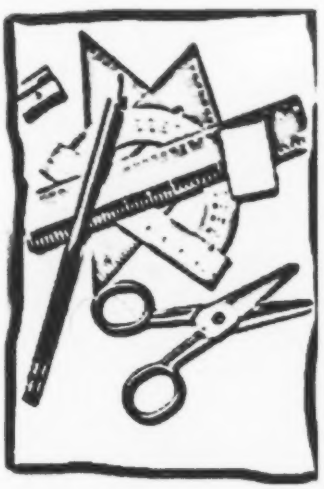
There are three essential ingredients to a healthy child care system:

- a variety of child care choices must be readily **available,**
- the available child care must be **affordable** to all, and
- the child care must be of high **quality.**

The relationship between the components necessary to a healthy child care system is complex. Components are interdependent and all three must be present for the system to work well. When all three are not fully developed or when the policies within the components are not integrated, the system does not effectively meet the needs of the children of Minnesota.

The Minnesota Department of Human Services has historically designed child care programs to support a healthy child care system to the extent possible.

One component of the system, the child care assistance program, exemplifies the complexity that results from attempts to integrate multiple funding sources toward seamless services for families. A patchwork program with complex administration requirements has resulted from targeted and limited funding.



Congress has been working since January 1995 to balance the federal budget, reshape federal programs, and send those programs to states in the form of block grants. Block grants offer states an opportunity to make significant changes in their child care systems, including consolidating the requirements for at least five federal child care funding sources into one set of requirements. The challenge is that these changes would also need to be made in the context of reduced overall federal funding for child care and increased demand from low income families. Without block grants, changes could still be made, but waivers require the state to hold the federal government cost neutral thereby limiting opportunities to make significant changes without an increase in state funding.

Guiding Principles

Given the limited funding and with proposed federal changes imminent, the following guiding principles were used to identify ways that administration of the child care assistance programs could be simplified and services to families could be improved.

Principle #1

Treat families equitably by providing equal access to child care assistance among families in similar circumstances.

Principle #2

Financial assistance with child care should be administered by one system. The system must be simple and efficient.

Principle #3

As family income increases or the family's circumstances change, movement to self sufficiency should not be interrupted.

Principle #4

Promote healthy, safe and developmentally appropriate experiences for children.

Principle #5

Quality child care means quality providers and informed parents.

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MINNESOTA CHILD CARE SYSTEM

The child care programs administered by the Department of Human Services under Minnesota Statute 256H include:

- Child Care Assistance Program (including federal, state and county funds)
- Child Care Resource and Referral Program
- Child Care Service Development Grants
- Federal Child Care and Development Block Grants

The Higher Education Service Office (HESO) has responsibility for administering the

- Non-AFDC Child Care Grant Program (MN Stat. 136A.125.)

Child Care Assistance Program

The child care assistance program combines five different targeted federal funding sources and state and local funds to subsidize direct child care services costs for low income families. Assistance through the child care assistance program allows low income families to work, seek work or to obtain training or education pursuant to employment. Each federal funding source is subject to different regulations and has different targeted populations and eligibility requirements. Some programs are an entitlement for families receiving cash assistance. Others operate within a capped allocation. Subsidies are directly related to time spent participating in authorized activities. (See Appendix C)

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Child Care Resource and Referral (CCR&R) Program

The CCR&R program provides for the child care system infrastructure by supporting twenty child care resource and referral agencies which cover all counties in the state. The functions of the CCR&R agencies include:

- parent education on funding and using quality child care
- coordination of training opportunities for all child care providers
- collaborative linkages among other family support services within the community
- training and technical assistance to child care providers
- resources and information for employers
- collection of data to identify gaps in services

The twenty agencies are linked by the Minnesota Child Care Resource and Referral Network, which provides technical assistance to its members. (See Appendix D)

Child Care Service Development Grants

Child care service development grants are used to assist in funding the development, expansion and improvement of child care services. Licensed child care centers and family child care providers, child care-related associations, and public and private non-profit agencies can apply for these grants to expand and improve Minnesota's Child Care System. Regional committees decide priorities, review grants and make funding recommendations. Priorities are focused on the shortage of child care services in the region. This program also provides statewide training grants and accreditation reimbursement to encourage centers and providers to obtain training and to participate in the nationally recognized accreditation and certification systems for early childhood programs and educators.

Federal Child Care and Development Block Grant (CC&DBG)

The CC&DBG is used to expand the child care assistance program and to enhance the state child care service development grants program. Federal service development grants have been used for professional development of child care providers, development of recruitment and training models for providers caring for children with special needs, start up and expansion of school age child care programs, mentorship training models for school age child care programs, enhancement of child care resource and referral services and county discretionary grants.

Non-AFDC Child Care Grant Program

The non-AFDC child care grant program is available to Non-AFDC students to reduce the cost of child care while attending an eligible post secondary institution. Unlike the child care assistance program, this program is administered as an annual grant to eligible families.

NOTE: There are a significant number of other resources available to parents and child care providers that also contribute to the infrastructure of Minnesota's Child Care System. Other components are described in appendix E.

This report does not address these components specifically.

The recommendations in this report do recognize the significance of these components as essential to the vision of a coordinated system of service delivery to all families and children and are designed to enhance integration with the larger vision identified in the 1992 Minnesota Milestones. (Copy available upon request)

CHANGES NECESSARY TO ACHIEVE SEAMLESS SERVICES

The following section describes the relationship between the guiding principles identified in Section I and Minnesota's current child care assistance program in Section II.

Recommendations were developed with the assumption that funding available for child care assistance will remain at the current level. It was evident in all communications with the child care community that limited funding and the resulting targeted populations are major contributors to the complexity in program administration. In addition, all recommendations were designed to allow:

- integration with the larger early childhood systems,
- collaboration with other family support systems, and
- client movement between counties.

GUIDING PRINCIPLE #1

Treat families equitably by providing equal access to child care assistance among families in similar circumstances.

Current Program:

The child care assistance program directed by the Department of Human Services includes the following:

- an entitlement program for families who are currently or have recently been connected with AFDC, and
- a capped allocation called the basic sliding fee program (BSF) to be used for low income families.

Employment, Education and Job Search are authorized activities for these programs.

In the AFDC Program, limited funds are managed by creating target groups. When clients are elegible for a target group and there is space in the group or the client is required to participate in a target group activity, then child care assistance is guaranteed. Child care assistance for persons participating in education and training activities is only available for certain target groups.

In the Basic Sliding Fee program, funds are managed by creating priorities for service. Each county manages administration of these priorities within their capped allocations. When funds are available, families in the first priority are accepted into the program. If all families in the first priority are being served, then families in the second priority are accepted in the program. Once a family is accepted into the program, funds are encumbered for it and it remains in the program until it is no longer eligible for assistance. This provides continuity for families who are accepted into the program, but results in waiting lists for assistance.

In some cases families who are not receiving AFDC but who are at the same income levels as AFDC recipients must compete for child care assistance through programs with limited funding.

The child care assistance program administered by the Higher Education Services office is available for child care needs of low income students who are not receiving AFDC only. The program provides grants for child care assistance. These grants do not usually cover the full cost of child care and many families are eligible for and also apply for child care assistance through the Department of Human Services child care assistance program.

Recommendations:

Combine/consolidate current funding streams for low income families who need child care assistance and establish uniform categories of eligibility for the consolidated fund.

- Title IV-A (Federal)
  - ACCESS/STRIDE
  - AFDC Employment
  - Transition Year Care
- At-Risk Grant (Federal)
- Child Care and Development Block Grant (Federal)
- AFDC Dependent Care Deduction (Federal)
- Higher Education Services Office (State)
- Basic Sliding Fee Program (State & County portion)

Establish statewide priorities for management of limited funding and apply these priorities equally throughout the state to low income families.

Require all families to share in the cost of care with copayments that increase as the clients income increases.

Determine eligibility based on authorized activity (work, education, job search) and the amount of income.

GUIDING PRINCIPLE #2

Financial assistance with child care should be administered by one system. The system must be simple and efficient.

Current Program:

The Child Care Assistance Program is a state supervised county administered program. The state has established criteria for program eligibility, income and copayment standards and provider payment standards. These standards are complex due to current funding directed to target populations and multiple federal regulations. In addition, the child care assistance program includes a requirement for parents to use either licensed or license exempt child care providers. Counties are required to register each licensed exempt provider who participates in the program. Each county then has an option to develop additional local policies. Counties are also required to develop procedures to obtain information necessary to administer the program, and register license exempt providers.

Child Care Assistance through the AFDC Budgeting process (Dependent Care Deduction) but is administered as part of the cash assistance process, usually by financial workers.

Child Care Assistance through the Higher Education Services Office (HESO) is administered by school financial aid offices.

A. Complex Accountability and Multiple Client Contact Points.

Requirements associated with multiple funding sources result in increased administrative complexity. Employed families who receive child care assistance and who are on AFDC are required to use the AFDC dependent care deduction as the first payor for child care expenses. Similarly non-AFDC students who participate in the HESO child care grant program must use funds from that program as the first payor. These programs do not have payment standards, provider requirements or income eligibility determination requirements that are compatible with the child care assistance program and don't usually cover the full cost of care. In addition, the programs are seldom administered in the same offices.

This increased complexity when added to the complexity resulting from multiple funding streams within the child care assistance program delays the application, benefit calculation and documentation processes for families and results in duplicate paperwork.

Many AFDC recipients also participate in the Child Care Assistance Program. Despite the fact that these programs are administered by the same agency, limited data sharing capabilities may result in the client submitting duplicate information. This affects program accountability and the overall administrative costs for each program.

B. Provider Registration

Federal Regulations require Minnesota to maintain a registry of legal non-licensed child care providers and assure that these providers are meeting established health and safety standards. There are no consistent statewide standards that apply specifically to these providers in Minnesota and the state has not established a registration system. This requirement has been passed on to counties.

Each county is required to register legal non-licensed providers who are participating in the subsidy program, assure investigation of complaints against these providers and maintain a record of substantiated complaints. Registration and complaint records are maintained by each county separately. Many counties have established standards specifically for legal non-licensed providers who are paid through the subsidy program.

This process is time consuming and must be completed prior to any payments being made to that provider. Since provider registration is not recognized between counties, a provider who serves families in several counties must be registered in each county where a client lives and substantiated complaints against a provider in one county are not routinely shared with other counties.

C. Managing Funds within a capped allocation

The Basic Sliding Fee child care program operates with a limited amount of funding. Each county is allocated a portion of the total funds. In many counties there are more applications for child care assistance than there are funds available to meet the demand. Counties are required to encumber funds as necessary to meet the needs of new child care assistance applicant prior to accepting them into the program. Since a family's child care assistance needs may fluctuate, management of the funding becomes a complex process. In addition, a family that moves between counties is not guaranteed continuation of services.

D. Parent Choice

Federal Regulations require states to assure that parents receiving child care subsidy have access to the same child care provider choices that are available to parents who are not participating in the child care subsidy program. Parent choice is often related to service availability, affordability, and payment mechanisms. The registration mechanism allows parents on the child care assistance program access to all legal providers.

The state addresses payment rates by establishing maximum payments by provider type and age of child that may be made in a geographic area through a provider rate survey process. When counties authorize payment they must reflect the provider's preferred method of charging and actual rates charged for private pay clients to the extent possible. Service authorizations and payments are closely related to actual hours of participation in an authorized activity.

The child care assistance program is a reimbursement program and reimbursement may reach providers between 45 to 90 days (depending on the amount of time necessary to register license exempt providers. Most child care providers charge families in advance of services provided. This delay in payment has a direct impact on a provider's small business cash flow and can result in limited parent choice.

Recommendations:

1. Automate the child care assistance program to:

   - allow for more timely payments
   - improve and simplify encumbrance management
   - allow for client movement between counties without loss of assistance

   In partnership with counties, reuce the need for duplicate information and reporting requests by exploring options to maximize existing linkages with existing information management systems to the extent possible.

2. Consolidate multiple funding streams into one program with simplified eligibility, income and payment requirements. To the extent possible, standards should be compatible with other assistance programs for families in similar circumstances.

3. Eliminate the AFDC dependent care deduction as a method of paying for child care costs to a single system for all families.

4. Develop and maintain a statewide registration mechanism for legal non-licensed providers which allows for advance registration.

GUIDING PRINCIPLE #3

As family income increases or the family's circumstances change, movement to self sufficiency should not be interrupted.

Current Program:

A. Payment Mechanisms

The child care assistance program for AFDC families has different payment mechanisms for different target groups. If a client is on AFDC and is employed, child care expenses will first be deducted from earned income through the AFDC budgeting process. Requirements on provider selection, minimum work activity participation, and earnings are not subject to the child care assistance program law and rules when this payment mechanism is used.

A family that has child care expenses that exceed the amount available through the AFDC dependent care deduction may be eligible to receive payment through the child care assistance program for the additional costs. An employed AFDC client may, in some situations, be using a child care provider that does not meet the requirements of the child care assistance program rule and would be required to change providers in order to claim additional child care expenses through the child care assistance program.

The Higher Education Services Office provides an annual grant to families receiving child care assistance through this program. Eligibility for the grant is based on income and family size. Participants are awarded a maximum grant of $1500 per academic year per child. Families receiving this subsidy may also be eligible for the child care assistance program. The actual cost for child care usually exceeds the funds available from this grant and many families receive child care assistance through both programs.

B. Authorized Activities

Each target group in the AFDC child care program limits the activities that may be authorized and the characteristics of eligible families. A family that is receiving AFDC is not necessarily eligible for child care assistance if they are not eligible to participate in an authorized activity. Therefore, child care assistance is not guaranteed when there is movement between target groups.

Movement from the AFDC entitlement program to the Transition Year Child Care (TYCC) entitlement is only allowed under limited circumstances and movement from TYCC to the capped allocation may result in a loss of benefits under certain circumstances. Movement from TYCC to the capped allocation may result in a loss of benefits for eligible clients when all families in the first priority are not being served.

Child care assistance through the Higher Education Services Office is available to support education activities only. Families that wish to work or look for work while in school and who are in need of child care must apply to the basic sliding fee program as well.

C. Relationship between child care assistance program subsidies and other sources of child care assistance available to families.

Child care assistance is available to families on AFDC without requirement for a copayment. Child care assistance for families who are not on AFDC and who are on the Basic Sliding Fee or Transition Year child care program is available with a copayment requirement. Child care assistance through the Higher Education Services Office is available as a grant which usually requires a significant parent contribution. In many cases families who are receiving assistance through these programs are also eligible for child care assistance through the federal and state dependent care tax credit programs. The federal credit is not refundable and therefore not available to families with incomes too low to require payment of taxes. The state credit is refundable. Each credit is claimed based on a percentage of the amount of money a parent pays for child care assistance. The credits are payable once per year as a tax refund payment and are not available at the time a parent needs to pay their provider.

The child support regulations in Minnesota include a component that addresses child care costs and increases total support contributions to address this expense. Currently, families who are on AFDC or who are on the TYCC program are required to cooperate with child support as a condition of eligibility. State law does not impose this requirement on families who are participating in the BSF program. Many counties have imposed this requirement in their jurisdictions.

Recommendations:

1. Establish one set of eligibility requirements including income and authorized activities that apply to all families.

2. Allow families to retain eligibility for child care assistance as long as they are within income guidelines and continue to participate in an authorized activity.

3. Establish priorities to manage entry into the program. Once accepted a family would remain eligible until their income exceeded the program limits based on household size or they ceased participating in an authorized activity as long as the family meets all the eligibility criteria.

4. Establish child care assistance program income limits and copayment requirements for all families that encourage transition to self-sufficiency and take maximum advantage of tax credits available to private pay families.

5. Establish mechanisms to make child care credits available to families at a the time they are needed to pay for child care costs.

6. Require cooperation with child support for all families participating in any component of the child care assistance program.

GUIDING PRINCIPLE #4

Promote healthy, safe, developmentally appropriate experiences for children

Current Program:

Child care services in Minnesota help families move to self-sufficiency and promote healthy child development. Good child care provides nurturing care and appropriate developmental experiences which prepare young children for success in school.

A broad array of early childhood care and education services includes family child care homes, child care centers, Head Start, early childhood family education, early childhood special education, learning readiness, and legal non-licensed care providers. The current application of standards for early childhood care and education in Minnesota is complicated. Varying state and federal requirements for programs, personnel and facilities have resulted from categorical funding, differing levels of public support and fragmented activities. Licensing standards vary greatly across programs; the needs of children do not. Children, families and providers are frustrated by inconsistencies and inequities among programs.

A state interagency team representing health, Head Start, child care, learning readiness, early childhood special education, and early childhood family education program is working to establish core standards for all early childhood programs.

Recommendations:

Develop consistent health and safety standards across all child care, childhood, and education programs that protect children and reflect a continuum from basic standards to best practices in the field.

Provide sufficient licensing staff at the state and county level.

Continue to allocate service development grants for professional development of child care providers and to encourage centers and providers to obtain training and to participate in nationally recognized accreditation and certification systems for early childhood programs and educators.

GUIDING PRINCIPLE #5

Quality child care means quality providers and informed parents

Current Program

The Department of Human Services contracts with child care resource and referral agencies (CCR&R's) to support the essential infrastructure for high quality, appropriate child care system. CCR&R's also pursue other public and private funding to support these activities. See section II.

Current CCR&R efforts to increase the supply of child care are enhanced through the federal child care and development grant and private funding. Specific activities include:

- A statewide system for training and recruitment of child care providers for infants and toddlers.
- Training existing providers to care for children with special needs, and
- Building culturally competent child care programs through outreach to parents and provision of training to providers.

Detailed descriptions of these projects are included Appendix F.

Other activities to expand the supply of child care include:

- The Child Care Service Development Grant program funded under Minnesota Statutes 256H. (see Section II), and
- Targeting federal funds to start and expand school age care programs and provide training and consolidation to school age providers around the state.

As service delivery and eligibility requirements are implemented over the long term to create a seamless child care system for families, the infrastructure will need to continue to grow and adjust to the demands.

Recommendations:

Continue to support the infrastructure of a seamless system using the child care resource and referral agencies to help parents fund quality child care, and by providing technical assistance to child care providers.

Promote public and private partnerships to address the affordability availability and accessibility to child care.

Continue to target state and federal child care grants to recruit child care providers to meet the demand of parents with stable, consistent care from well trained culturallly appropriate providers.

CONCLUSION

A seamless child care program with simplified administration and improved services to families is possible and desirable in Minnesota. Current federal regulations are the main barrier keeping Minnesota from reaching these goals quickly. Federal waiver requests require that the changes be cost neutral to the federal government which would very likely increase the cost of child care assistance to the state.

Federal child care reform offers many opportunities for flexibility within the program and at the county level. The state should use the time before the 1997 legislative session to study each of the issues that need to be changed to make the program more responsive. Input from county agencies and from participating families is essential as the new program is fashioned. Cost estimates should be made available as part of the study final results.

In creating the child care system, the department needs to work closely with the AFDC and other assistance programs so that the needs of clients and the requirements of the assistance programs are adequately considered. The department must also consider the needs of the low income families who are striving to achieve or maintain self sufficiency without receiving AFDC. Appendix G in this report gives a summary of the issues which need to be addressed by the department in redesigning the child care program into a more responsive system.

As new child care policy is designed, Minnesota must keep in mind that we need to create an infrastructure that provides affordable, available and quality child care to all of our children.

ATTACHMENTS

MINNESOTA SESSION LAWS, CHAPTER NO. 178, ARTICLE 2, SECTION 44
SEAMLESS CHILD CARE SYSTEM

The commissioner of human services shall examine the feasibility of implementing a seamless child care system statewide by July 1, 1996. The seamless child care system must provide a consistent approach to administering child care by consolidating the different child care programs under Minnesota Statutes, chapter 256H, and Minnesota Statutes, section 136A.125, streamlining all child care funding available under Minnesota Statutes, chapter 256H, and Minnesota Statutes, section 136A.125, and making consistent the laws and rules to govern the child care system.

The commissioner shall report to the legislature by November 1995. The report must contain recommendations as to how to develop and implement the system statewide, proposed uniform eligibility criteria, a list of necessary federal waivers, a list of the statutes and rules that must be repealed or amended, and an estimate of state and county savings resulting from the reduction in administrative duties.

Federal Reform - Child Care - Team Participants

County

Name	Agency	Team(s)
Sharon Finch	St. Louis County	Service Delivery
Bonnie Frisk	Blue Earth County	Seamless Child Care
Suzanne Gaines	Hennepin County	Priority Planning, Service Delivery
Fern Johnson	Polk County	Service Delivery
Lee Krzyzaniak	Stearns County	Seamless Child Care, Service Delivery
Jackie Meyer	Ramsey County	Service Delivery
Sandy Pietig	Dakota County	Priority Planning, Service Delivery
Terry Rangitsch	Chisago County	Service Delivery
Dennis Ruester	Lake County	Service Delivery
Deborah Schlick	Ramsey County	Seamless Child Care, Service Delivery
Joan Smith	Hennepin County	Seamless Child Care, Priority Planning, Service Delivery
Dick Williams	Isanti County	Service Delivery

Other Agencies

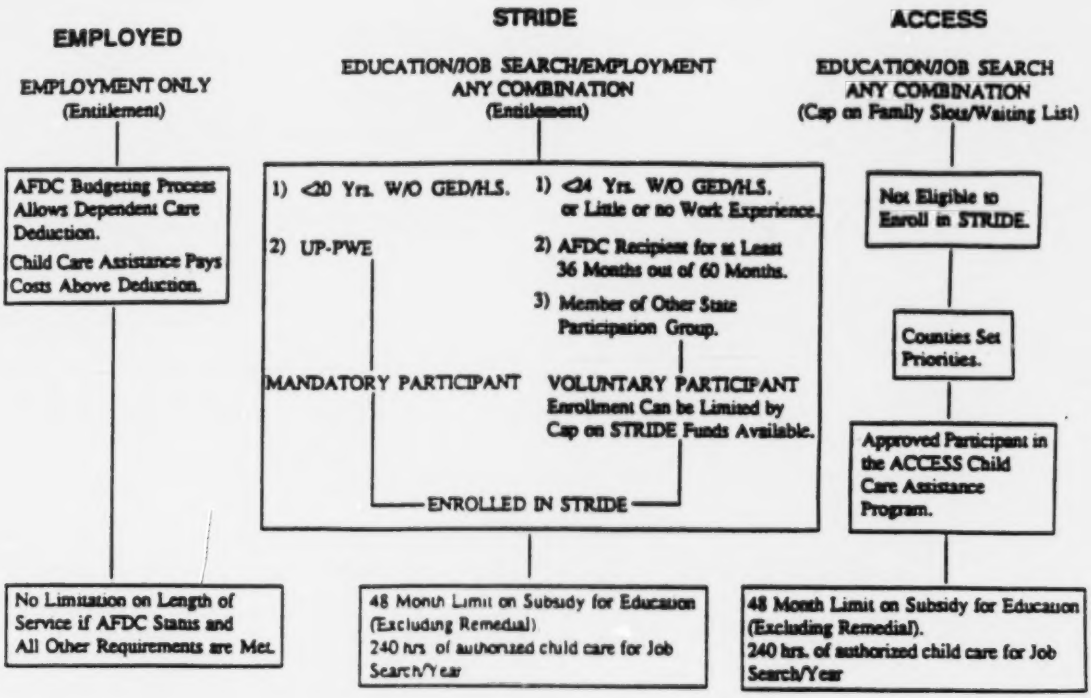
Name	Agency	Team(s)
David Allen	Resources for Child Caring	Seamless Child Care
Cindy Baker	Minnesota Licensed Family Child Care Association	Priority Planning
Robert Benes	Lakes & Pines Head Start	Seamless Child Care, Service Delivery
Daryl Bessler	Hubbard County	Service Delivery

Name	Agency	Team(s)
Margaret Boyer	Alliance of Early Childhood Professional	Service Delivery
Claire Chang	Resources for Child Caring	Seamless Child Care, Priority Planning
Laurie Christianson	Resources for Child Caring	Seamless Child Care
Tarryl Clark	Children's Defense Fund	Service Delivery
Wendy Cook	City Parents United	Seamless Child Care
Karen DeBoer	Southwest Minnesota Opportunity Council, Inc. - Child Care Resource & Referral	Seamliess Child Care
Ginny Dodds	Minnesota Higher Ed. Coord. Bd.	Seamless Child Care, Service Delivery
Gene Ford	Cultural Beginnings Proj. Res. For Child Caring	Priority Planning, Service Delivery
Donna Forrester	MN Licensed Family Child Care Association	Service Delivery
Roxy Foster	Minnesota Parenting Association	Service Delivery
Patrick Gannon	Minnesota Child Care Resource & Referral Network	Seamless Child Care
Roejean Goodwin	Anoka Child Care Resource and Referral	Priority Planning
Chris Halvorson	Legislative Commission on the Economic Status of Women	Priority Planning, Service Delivery
Sharon Henry	Early Childhold Resource Center	Service Delivery
Joelle Hoeft	Department of Economic Security	Priority Planning, Service Delivery
Jewelean Jackson	United Parents	Priority Planning
Polly Keppel	Child Care Works	Seamless Child Care, Priority Planning, Service Delivery
Shawna Kishel	Child Care Resource & Referral	Priority Planning

Name	Agency	Team(s)
Jeane Kloeber	MN Early Child Care Education Council	Seamless Child Care
Cathy Lund-Ziebarth	Cambridge Community College	Seamless Child Care
Jackie Olafson	Children's Home Society	Service Delivery
Juanita Pekay	City Parents United	Priority Planning, Service Delivery
Susan Peterson	Early Childhold Directors Assoc.	Priority Planning, Service Delivery
Laurie Possin	Greater Mpls. Day Care Assoc.	Seamless Child Care, Priority Planning, Service Delivery
Pauline Schumada	Southside Family Nurturing Center	Service Delivery
Tutti Sherlock	Child Care Resource & Referral	Priority Planning, Service Delivery
Karen Svendsen	Children's Home Society	Seamless Child Care
Jerry Vitzthum	Anoka County Job Training Center	Service Delivery

CHILD CARE ASSISTANCE PROGRAM

AFDC CARETAKERS


EMPLOYED
EMPLOYMENT ONLY
(Entitlement)
AFDC Budgeting Process Allows Dependent Care Deduction.
Child Care Assistance Pays Costs Above Deduction.
No Limitation on Length of Service if AFDC Status and All Other Requirements are Met.
STRIDE
EDUCATION/JOB SEARCH/EMPLOYMENT
ANY COMBINATION
(Entitlement)
1) <20 Yrs. W/O GED/H.S.
2) UP-PWE
MANDATORY PARTICIPANT
1) <24 Yrs. W/O GED/H.S. or Little or no Work Experience.
2) AFDC Recipient for at Least 36 Months out of 60 Months.
3) Member of Other State Participation Group.
VOLUNTARY PARTICIPANT
Enrollment Can be Limited by Cap on STRIDE Funds Available.
ENROLLED IN STRIDE
48 Month Limit on Subsidy for Education (Excluding Remedial)
240 hrs of authorized child care for Job Search/Year
ACCESS
EDUCATION/JOB SEARCH
ANY COMBINATION
(Cap on Family Slots/Waiting List)
Not Eligible to Enroll in STRIDE.
Counties Set Priorities.
Approved Participant in the ACCESS Child Care Assistance Program.
48 Month Limit on Subsidy for Education (Excluding Remedial).
240 hrs. of authorized child care for Job Search/Year

General Criteria:

- Child Care Assistance Program is administered by county social service agencies or designated agencies.
- All parents, stepparents, legal guardians, or eligible relative caretakers and their spouses in a family must be in an authorized activity unless exempted.
- Child care may not be authorized for more than 60 hours per week and is only available for hours when parents, stepparents, legal guardians, or other caretaker relatives and their spouses are in authorized activities.
- Child care payment may not exceed maximum rates as identified in the annual child care fund survey and each county's CCAP plan.
- Eligibility for STRIDE or ACCESS child care requires participation in an authorized education or Job Search activity.
- Employment related child care costs above the dependent care deduction may also be included.
- Parents must use legal providers. Legal non-licensed providers must be registered with the county.

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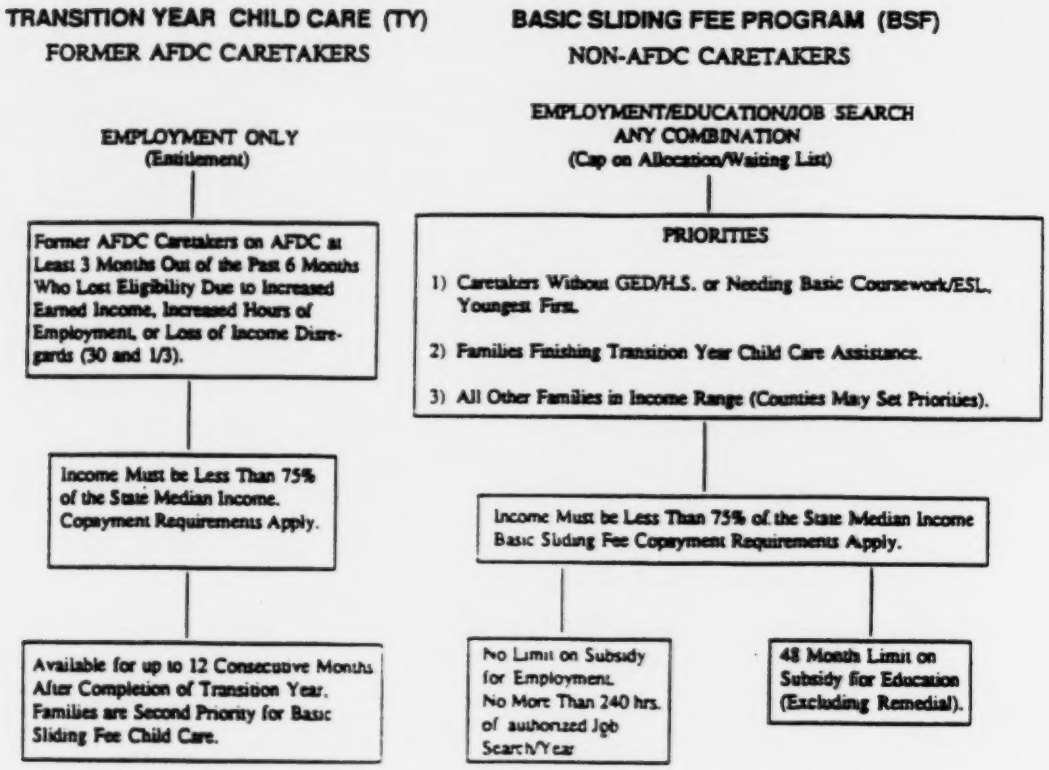
CHILD CARE ASSISTANCE PROGRAM

NON-AFDC CARETAKERS


TRANSITION YEAR CHILD CARE (TY)
FORMER AFDC CARETAKERS
EMPLOYMENT ONLY
(Entitlement)
Former AFDC Caretakers on AFDC at Least 3 Months Out of the Past 6 Months Who Lost Eligibility Due to Increased Earned Income, Increased Hours of Employment, or Loss of Income Disregards (30 and 1/3).
Income Must be Less Than 75% of the State Median Income. Copayment Requirements Apply.
Available for up to 12 Consecutive Months After Completion of Transition Year. Families are Second Priority for Basic Sliding Fee Child Care.
BASIC SLIDING FEE PROGRAM (BSF)
NON-AFDC CARETAKERS
EMPLOYMENT/EDUCATION/JOB SEARCH
ANY COMBINATION
(Cap on Allocation/Waiting List)
PRIORITIES
1) Caretakers Without GED/H.S. or Needing Basic Coursework/ESL, Youngest First.
2) Families Finishing Transition Year Child Care Assistance.
3) All Other Families in Income Range (Counties May Set Priorities).
Income Must be Less Than 75% of the State Median Income Basic Sliding Fee Copayment Requirements Apply.
No Limit on Subsidy for Employment. No More Than 240 hrs. of authorized Job Search/Year
48 Month Limit on Subsidy for Education (Excluding Remedial).

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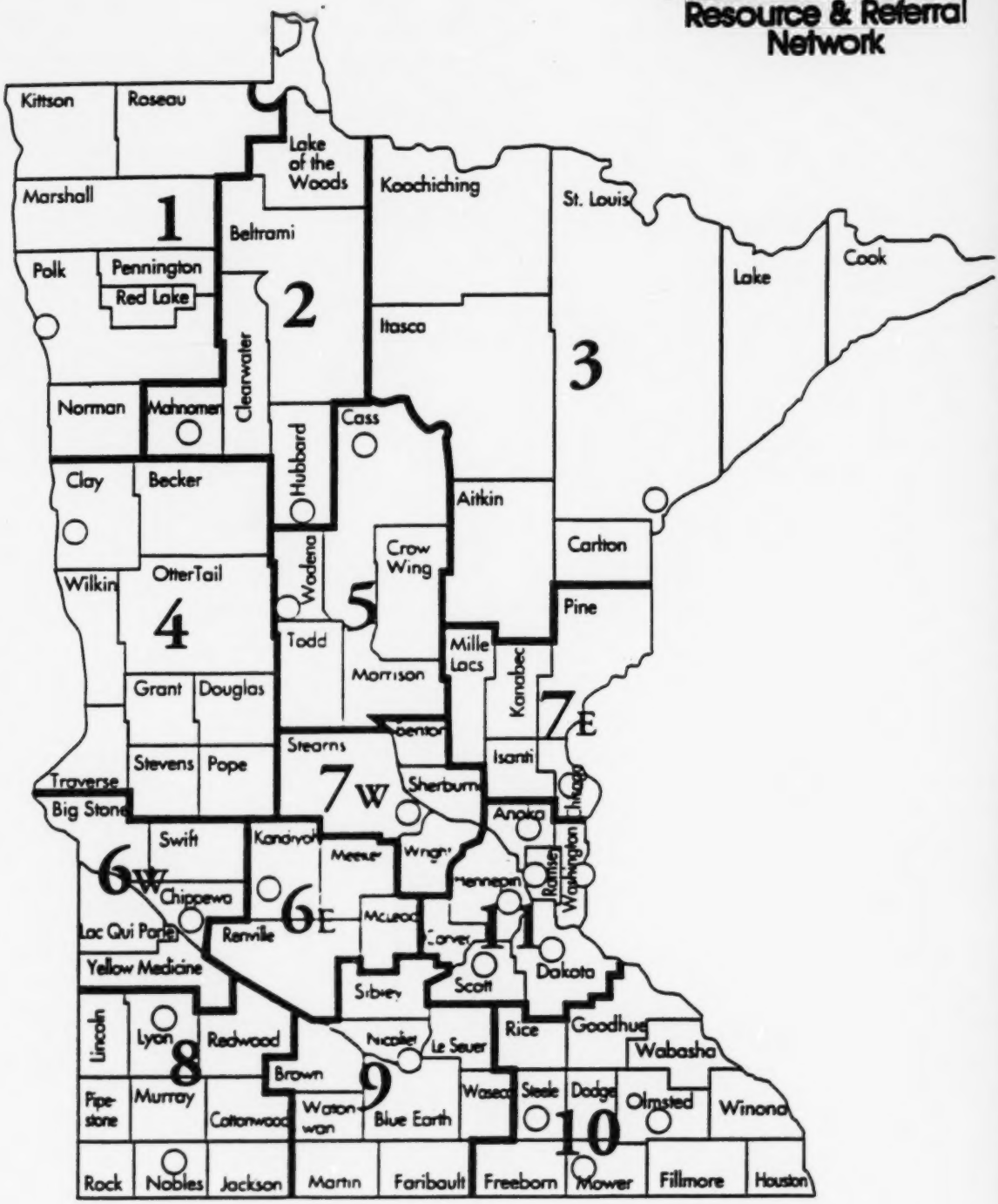
Attachment D

MINNESOTA Child Care Resource & Referral Network



CURRENT CHILD CARE SUBSIDY PROGRAMS

The following list and chart represent major child care assistance and supports available under the current system.

1. PRIVATE ENTERPRISE SUBSIDIES

- on-site child care centers
- financial support for employee child care referrals
- vouchers for child care (very limited currently)
  - -cafeteria benefit plan
  - -scholarships
- Dependent Care Expense Accounts
- Flextime/Telecommuting
- Family Leave Policies for very young children
- Disability insurance to cover costs of family leave
- participating in provider support and recruitment
- funding for development/support of CC programs not necessarily connected to own employees. (Target model)
- Child Care providers with low wages
- Foundation funding-system development/research.

2. PRIVATE PERSON SUBSIDIES

- Child care ordered as part of child support order
- Child care providers who receive low wages.

3. PUBLIC SECTOR SUBSIDIES

Parent/Family Subsidies Direct	**State**	**Federal**	**Income Test**	**Impact Quality**	**Impact Cost**	**Impact Availability**
Head Start	X	X	X	X	X	X
Child Care Assistance Program						
A)State & County Dollars	X		X			X
B)Federal Block Grant		X	X		X	X
Higher Education Service Office	X		X		X	
Dependent Care & Working Family Tax Credits	X		X		X	
CC & Dep.Care and Earned Income Tax Credits		X	X		X	
Dependent Care Expense Account	X	X			X	
Migrant Child Care	X	X		X	X	X

Parent/Family Subsidies Indirect	**State**	**Federal**	**Income Test**	**Impact Quality**	**Impact Cost**	**Impact Availability**
Learning Readiness	X	X	X	X	X	
Early Childhood Family Education	X		X	X	X	
Child & Adult Care Food Program *		X	X	X	X	

System Supports	State	Federal	Income Test	Impact Quality	Impact Cost	Impact Availability
Child Care Licensing	X	X		X	X	X
Consensus Standards	X			X	X	X
CCR&R**	X	X	X	X	X	X
Service Development Grants	X			X		X
Quality Improvement Grants**		X		X	X	
Child Development Associate Scholarship**	X	X		X		X
Dependent Care Block Grant **		X		X		X

*Maybe eliminated or significantly reduces in block grants.
Cost to MN child care: Approx. $60M
**Folded into Block Grant

FEDERAL CHILD CARE AND DEVELOPMENT BLOCK GRANT
DESCRIPTION OF ACTIVITIES

DIRECT SERVICES SUBSIDY

Eligibility for Subsidies:

Work and Training-Parents may receive child care assistance for children under age 13 if: family income is below 75% of the state's median income; and the assistance is to support employment, education or job search.

Type of Service Provided:

Parents may use any licensed or legal non-licensed child care provider, including relatives, family child care, church, school or center providers.

QUALITY AND IMPROVEMENT

Activities to improve the quality of child care and to increase the availability of early childhood development programs and before-and after-school care services.

Licensing Improvement:

1. Staff consultation and technical assistance will be provided to child care centers to improve quality of programs and assistance in a plan to come into compliance with standards as needed.
2. A video on orientation to licensing rules will be produced. The video will be most useful for directors in new or existing facilities.
3. Determination of staff qualifications for teacher and teacher assistance will be automated as a permanent record to increase consistency and eliminate confusion as staff move to other child care centers. This project will be done in conjunction with the training registry and the development of the Professional Development Institute.

County Discretionary Grants: Allocations will be made to counties to use based on their area's needs. Funds may be used as follows: to increase the number of child care licensors, to develop early childhood programs, to recruit and train providers, and/or for respite child care.

Child Care Resource and Referral: Designated resource and referral programs with statutory requirements to serve families participating in Minnesota's child care system will enhance their services to strengthen the child care infrastructure in Minnesota.

SALARY ENHANCEMENT MODELS

Salary Enhancement Projects: Fund Alliance for Early Childhood Professionals to convene an advisory committee to institute model projects and evaluate effective strategies.

Minnesota Child Care Apprenticeship Project: Provide funding to continue to build apprenticeship model for providers in child care centers and family child care homes to increase knowledge, skills and competency in early childhood care and education linked directly to increased compensation through a career lattice.

MINNESOTA'S CHILD CARE & DEVELOPMENT BLOCK GRANT BUDGET

	Percent of Federal Category		FFY94 Grant
I. CHILD CARE SUBSIDIES			
A. Direct Services	100.00%	of A1	7.916.927
B. County Subsidy Administration	64.78%	of A2	879.658
			8.796.585
II. DHS CENTRAL OFFICE ADMINISTRATION	23.80%	of A2	323.166
III. DHS CHILD CARE TASK FORCE	2.21%	of A2	30.000
IV. DEVELOPMENT OF CHILD CARE SERVICES			
1. Licensing Improvements	9.21%	of A2	125.000
2. County Discretionary Grants			
a. Chapter 1 Priority	10.30%	of B1	238.825
b. Quality Improvements	47.50%	of B2	293.701
c. Qual Imp & Availability	100.00%	of B3	154.579
			687.105
3. Child Care Resource & Referral Programs			
a. Chapter 1 Priority	10.19%	of B1	236.274
b. Quality Improvements	52.50%	of B2	324.616
			560.890
4. School Age Child Care Programs	28.03%	of B1	650.000
5. Infant & Toddler Programs	12.94%	of B1	300.000
6. Special Needs Child Care Programs	12.94%	of B1	300.000
7. Building Culturally Competent Programs	12.94%	of B1	300.000
8. Professional Development Training Registry	4.31%	of B1	100.000
9. Professional Development Institute	3.02%	of B1	70.000
10. Salary Enhancement Model Projects	5.33%	of B1	123.589
Total			12.366.335

CHILD CARE SEAMLESS SYSTEM MODEL

GUIDING PRINCIPLE 1

POLICY	CURRENT CHILDCARE	PROPOSED IMPLEMENTATION (SHORT TERM)	PROPOSED IMPLEMENTATION (LONG TERM)	FEDERAL WAIVERS	STATE LEGISLATION
Priorities	None for AFDC. BSF: 1. Teen parents 2. TYCC 3. All others or county option	Study financial impact and establish appropriate priorities.	Implement priorities.	Waiver is necessary if Federal Reform is not passed.	256H.03
Program Eligibility and Authorized Activities	Multiple eligibility standards dependent on type of assistance and funding stream. Current activities include child care for: • Employment • Job Search • Education/Training	• Require cooperation with child support for all BSF families. • Study fiscal affect changes will have as well as impact on clients. • Authorized activities remain the same.	Program eligibility and authorized activities consistent for all populations.	Waiver is necessary if Federal Reform is not passed.	256H.01(8) 256H.05 256H.10 256H.10(2) 256H.11
Combination of Funds	Child care for AFDC is an entitlement. Capped allocation for BSF program with waiting lists in many counties.	Study one statewide waiting list for child care and affects on counties and clients.	Dependent on study results and funding. Without automation of the program, this would be administratively burdensome.	Waiver is necessary if Federal Reform is not passed.	256H.05
Funding Streams	Five CCAP Funding Streams: • AFDC Employment • STRIDE • ACCESS • TYCC • BSF Quality Improvement Funding Streams: • HESO • CCR&R • Quality Improvement Grants • Service Development Grants	Evaluate impact of one funding stream for all child care assistance programs including HESO money. Quality dollars would remain separate.	Policy dependent on study results. Quality dollars remain separate.	Waiver is necessary if Federal Reform is not passed.	136A.125 136A.136 256H.03 256H.035 256H.055 256H.07 256H.08 256H.10 256H.15

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CHILD CARE SEAMLESS SYSTEM MODEL

GUIDING PRINCIPLE 2

POLICY	CURRENT CHILDCARE	PROPOSED IMPLEMENTATION (SHORT TERM)	PROPOSED IMPLEMENTATION (LONG TERM)	FEDERAL WAIVERS	STATE LEGISLATION
Client Payments	No copayment for incomes < poverty level for non-cash assistance families. Dependent care deduction for AFDC families, no payment for attending school/training.	Study various payment systems and payment levels.	Consistent copayments for all families receiving child care assistance. Eliminate Dependent Care Deduction.	Waiver needed if federal block grant is not passed. No waiver requirement.	9858.5070 (1)(2)(2a)(3)(4) 256.74
Income Eligibility	Eligibility when income is up to 75% of the state median income.	Study the adjustment of upper eligibility limit for compatibility with tax credits to help transition families off of assistance.	Undetermined.	Federal waiver is not necessary.	256H.10 9565.5030(6)

GUIDING PRINCIPLE 3

POLICY	CURRENT CHILDCARE	PROPOSED IMPLEMENTATION (SHORT TERM)	PROPOSED IMPLEMENTATION (LONG TERM)	FEDERAL WAIVERS	STATE LEGISLATION
Program Administration	State Supervised/County Administered. Separate application and eligibility for different programs. Entitlement for AFDC. Capped for administrative dollars for BSF. Movement between counties is allowed for BSF only if funds available in "new" county; in AFDC programs, eligibility continues with move.	• Continue to support: - efforts for counties that choose to subcontract. - collaboration and multi-county models. • Study integration of application process. • Develop mechanism to ensure seamless authorization. • Study impact of additional costs and effect on county administration.	Policy dependent on results of study.	Federal waivers are not necessary.	256H.08
Automation of Child Care Programs	Currently no state wide automated system.	Study feasibility of linking child care with existing automated systems.	Proposal to be based on information from the study.	Federal waivers are not necessary.	

CHILD CARE SEAMLESS SYSTEM MODEL

GUIDING PRINCIPLE 4

POLICY	CURRENT CHILDCARE	PROPOSED IMPLEMENTATION (SHORT TERM)	PROPOSED IMPLEMENTATION (LONG TERM)	FEDERAL WAIVERS	STATE LEGISLATION
Public/Private Partnerships	Support to the Child Care Resource and Referral agencies.	Continue support to CCR&R's. Research the relationship between child care and benefits to employers.	Technical assistance to employers.	Federal waivers are not necessary.	No legislative proposal.
Expanding Capacity	Cultural Beginnings Project. Child care grants to train and recruit providers.	Continue Cultural Beginnings Project and training and recruitment of providers.		Federal waivers are not necessary.	No legislative proposal.

GUIDING PRINCIPLE 5

POLICY	CURRENT CHILDCARE	PROPOSED IMPLEMENTATION (SHORT TERM)	PROPOSED IMPLEMENTATION (LONG TERM)	FEDERAL WAIVERS	STATE LEGISLATION
Health and Safety Standards	Licensed providers must comply with Minnesota licensing statutes and rules. Legal non-licensed providers must register with the county. Registration includes a written statement that the provider is in compliance with state and local ordinances and codes. The provider must sign a release of information to permit pertinent information on substantiated complaints to be released in accordance with Chapter 13.	Work with the Department of Licensing to develop health and safety training for providers.	Pre-registration of legal non-licensed providers. Provide health and safety training for all providers including private pay.	Federal waivers are not necessary.	No legislative proposal.

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